

HOOD CANAL COORDINATING COUNCIL

**INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS**

December 31, 2005

HOOD CANAL COORDINATING COUNCIL

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
Statement of Financial Position.....	2
Statement of Activities	3
Statement of Cash Flows.....	4
Statement of Functional Expenses	5
Notes to Financial Statements.....	6 – 8

BALL AND TREGER, LLP

CERTIFIED PUBLIC ACCOUNTANTS
A PROFESSIONAL LIMITED LIABILITY PARTNERSHIP

400 WARREN AVENUE • SUITE 430 • BREMERTON, WASHINGTON 98337-1408
FAX: (360) 377-7089 (360) 479-6868

INDEPENDENT AUDITOR'S REPORT

September 25, 2006

To the Board of Directors
Hood Canal Coordinating Council
Poulsbo, Washington

We have audited the accompanying statement of financial position of the Hood Canal Coordinating Council (a non-profit corporation) as of December 31, 2005 and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hood Canal Coordinating Council as of December 31, 2005 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Ball & Treger, LLP
BALL & TREGER, LLP

**HOOD CANAL COORDINATING COUNCIL
STATEMENT OF FINANCIAL POSITION
December 31, 2005**

ASSETS

Cash	\$ 100
Grants receivable	133,426
Prepaid expenses	<u>8,007</u>
Total current assets	141,533
Furniture and equipment	
Furniture and equipment	26,620
Less accumulated depreciation	<u>(14,118)</u>
Total furniture & equipment, net	<u>12,502</u>
Total assets	\$ <u><u>154,035</u></u>

LIABILITIES AND NET ASSETS

Overdraft payable	\$ 9,335
Accounts payable	39,519
Payroll tax payable	1,643
Cash Advance	5,290
Employer retirement contribution payable	27,380
Annual leave liability	18,412
Line of credit	<u>15,000</u>
Total current liabilities	116,579
Net assets	
Unrestricted	<u>37,456</u>
Total net assets	<u>37,456</u>
Total liabilities and net assets	\$ <u><u>154,035</u></u>

The accompanying notes are an integral
part of these financial statements

HOOD CANAL COORDINATING COUNCIL
STATEMENT OF ACTIVITIES
Year ended December 31, 2005

Revenue	
Dues - Note 4	\$ 24,415
Grants - Note 5	590,640
Other Income	<u>3,070</u>
Total revenue	<u>618,125</u>
 Expenses	
Program	545,061
Management and general	<u>74,287</u>
Total expenses	<u>619,348</u>
 Change in net assets	(1,223)
 Net assets, beginning of year	<u>38,678</u>
 Net assets, end of year	\$ <u><u>37,456</u></u>

The accompanying notes are an integral
part of these financial statements

**HOOD CANAL COORDINATING COUNCIL
STATEMENT OF CASH FLOWS
Year ended December 31, 2005**

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ (1,223)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities	
Depreciation	5,312
Loss on disposal of equipment	258
Increase in accounts receivable	(62,376)
Increase in prepaid expenses	(5,732)
Increase in overdraft payable	7,944
Increase in accounts payable	28,671
Decrease in payroll taxes payable	(114)
Increase in cash advance	5,290
Increase in employer retirement contribution payable	5,719
Increase in annual leave liability	11,004
Increase in line of credit	14,500
Net cash provided by operating activities	<u>9,254</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of equipment	<u>(9,213)</u>
Net cash used by investing activities	<u>(9,213)</u>
Net increase in cash	41
Cash - December 31, 2004	<u>59</u>
Cash - December 31, 2005	<u><u>\$ 100</u></u>

The accompanying notes are an integral
part of these financial statements

**HOOD CANAL COORDINATING COUNCIL
STATEMENT OF FUNCTIONAL EXPENSES
Year ended December 31, 2005**

	<u>Program</u>	<u>Management and General</u>	<u>Total</u>
Bank charges		311	311
Payroll	232,730	41,070	273,800
Payroll tax expense	22,494	3,970	26,464
Compensated absences	9,353	1,651	11,004
Employer retirement contribution	23,217	4,097	27,314
Employee medical insurance	18,440	3,254	21,694
Copy/printing	582	103	685
Conference	2,666		2,666
Contribution	250		250
Depreciation		5,312	5,312
Dues & subscriptions	574	101	675
Small equipment and software	4,916	868	5,784
Insurance	7,097	1,252	8,349
Office supplies	22,562	3,981	26,543
Phone/fax/internet	11,277	1,990	13,267
Postage	4,963	876	5,839
Prof fees-acctg	9,346	1,649	10,995
Prof fees-legal	12,344		12,344
Prof fees-subcontracts	127,471		127,471
Prof fees-others	2,227	393	2,620
Rent	9,866	1,741	11,607
Utilities	174	31	205
Travel & training	22,512	1,185	23,697
Interest		194	194
Loss on disposal of equipment		258	258
	<u>\$ 545,061</u>	<u>\$ 74,287</u>	<u>\$ 619,348</u>

The accompanying notes are an integral
part of these financial statements

HOOD CANAL COORDINATING COUNCIL
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

NOTE 1 – DESCRIPTION OF ORGANIZATION

Hood Canal Coordinating Council (the "Council") is located in Poulsbo, Washington. The Council was established in 1985 under an interlocal agreement between Jefferson, Kitsap, and Mason Counties and Port Gamble S'Klallam and Skokomish Tribes. The Council was formed in response to concerns about water quality problems and related natural resource issues in the Hood Canal watershed. The Council's primary activity is to assure the existence of wild salmon in Hood Canal for the next 150 years.

On November 21, 2000, the Council became a Washington non-profit corporation. Prior to its establishment as a corporation, Kitsap County processed the Council's financial activities. The initial funding of the Council as a non profit corporation was the transfer of the net assets held by the County. This amount totaled \$18,543 and was recorded as a contribution for the year ended December 31, 2001. Income of the Council is derived primarily from local counties, tribes dues, and state and federal grants funding specified projects.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Federal Income Taxes: On July 3, 2002, the Council received notice from the Internal Revenue Service that it is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code retroactive to November 21, 2000.

Property and Equipment: Property and equipment are recorded at cost if purchased or at fair market value if donated. The Council follows the practice of capitalizing, at cost, all expenditures for fixed assets in excess of \$500.

Depreciation: Depreciation is provided on a straight-line method over the estimated useful lives of the assets, five to seven years.

Cash Equivalents: For purposes of the statement of cash flows, the Council considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

In-Kind Contributions: Donated facilities are recorded at the fair value of the space provided. In-kind contributions valued at \$1,260 are included in the rent expense account.

Functional Allocation of Expenses: The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Programs consist of salmon recovery planning, habitat monitoring assessment program, and the Hood Canal Community Near Shore Restoration program. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**HOOD CANAL COORDINATING COUNCIL
NOTES TO FINANCIAL STATEMENTS
December 31, 2005**

NOTE 3 – LEASES

The Council leases cars from the Port Gamble Band of S'Klallam Indians, a member of the board. The lease is an operating lease and total payments of \$9,407 were made in 2005.

The Council has two leases with Dell Computers for three laptops. The term is 24 months each. Total lease payments made in 2005 was \$3,282.

NOTE 4 – DUES

Dues are paid by counties and tribes surrounding the Hood Canal that wish to participate in the activities and Board of Directors of the Council. Dues for the year ended December 31, 2005 consisted of the following:

Kitsap County	\$ 10,000
Jefferson County	6,915
Mason County	2,500
Skokomish Tribe	2,500
Port Gamble S'Klallam Tribe	<u>2,500</u>
	<u>\$ 24,415</u>

NOTE 5 – GRANTS and CONTRACTS

Grants and contracts are received by the Council to further their mission. Grants and contract revenues and receivables are recorded to the extent of costs incurred and billable as most grants and contracts are cost reimbursable. For the year ended December 31, 2005 grants and contracts were received by the council from the following entities:

Engrossed Substitute House Bill 2097	50,000
WDFW SRLE 05-06	45,958
WDFW SRLE 04-05	51,550
Dept of Ecology 319	67,119
IAC SRP 03-05	307,426
IAC Habitat Assessment 01-1393N	22,763
PIE CNRP	9,343
NFWF Low DO	20,835
PSAT 319 Match	<u>15,645</u>
	<u>\$ 590,639</u>

NOTE 6 – LINE OF CREDIT

The Council renewed their unsecured revolving credit loan in June 2005 with a maximum limit of \$15,000 at an annual rate equal to prime rate plus 2%. Interest is payable monthly with the principal payment due at maturity. Maturity date is May 15, 2006. Outstanding borrowing at December 31, 2005 was \$15,000.

**HOOD CANAL COORDINATING COUNCIL
NOTES TO FINANCIAL STATEMENTS
December 31, 2005**

NOTE 7 – RETIREMENT PLAN

As part of employee benefits, Hood Canal Coordinating Council established a 401(k) cash or deferred plan in 2003. All employees, who were employees as of January 1, 2003, became eligible to participate in the plan. Future employees will become eligible upon reaching age 21 and after completing 1 hour of service. In 2005, there were five employees that were eligible to participate. The vested interest in all employee accounts will be 100% at all times. For the year ended December 31, 2005 the employer's discretionary contribution was \$27,380, 10% of the participants' salaries.